Original	Updated	☐ Cor	rected	Supplemental
LRB Number 09-40	76/1	Introduct	ion Number	AB-0649
Description Goals for reductions in greer energy conservation; informate emissions and climate changer requirements of electric utilities energy from certain renewals. Commission over nuclear pot transportation fuels; the brown brownfields grant program, the transportation facilities esurface transportation plann organizations to reduce gree idling limits for certain vehicl and two-family dwellings, and standards for certain consuments of the consumeracy efficiencies; creating measures; creating an energy sequestration of carbon in for program established by the sources reducing greenhous development revenue bonding facilities; requiring a report of authority; requiring the exercises.	ation, analyses, rege; energy efficier ies and retail cool ole facilities in the ower plants; motor wnfield site assess the forward innovation conomic assistanting by the Department of agricultural faciner audio and videy certain state agan exception to lead to the cool of the cool	eports, education, and and and renewable reportatives; requiring eartives; requiring eartives; reprize the reportation of the representation fund, grants to love and development ment of Transportations; environmentativation codes for publicities; design standare devices, boiler insencies and state associal levy limits for an arrogram; identification oractices and cost-should represent the resources; air allocating a portion of manufacturing facilities to limit greenhouses.	d training concernesource programs; electric utilities to plauthority of the Punitations; a low card, the main street plauthority of the procal governments program, a model on and metropolita I evaluations for trailic buildings, placed for state building pection requirements are requirements pollution permits for existing tax-exerties and renewable gas emissions; generally and programs of private for existing tax-exerties and renewable gas emissions; generally of the programs of private for existing tax-exerties and renewable gas emissions; generally of the programs o	ing greenhouse gas renewable energy rurchase renewable blic Service bon standard for rogram, the for planning activities, parking ordinance; n planning ansportation projects; es of employment, one- rigs; energy efficiency ents; greenhouse gas districts in achieving nergy efficiency and, promoting under the forest grant or certain stationary mpt industrial le power generating
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Fund Sources Affected  GPR FED P	RO 🔲 PRS 🖺	_	<b>Affected Ch. 20 A</b> 20.143 (3) (j)	ppropriations
Agency/Prepared By	·····	Authorized Signa	iture	Date

2/10/2010

# Fiscal Estimate Narratives COMM 2/10/2010

LRB Number	09-4076/1	Introduction Number	AB-0649	Estimate Type	Original	
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### Description

Goals for reductions in greenhouse gas emissions, for construction of zero net energy buildings and for energy conservation; information, analyses, reports, education, and training concerning greenhouse gas emissions and climate change; energy efficiency and renewable resource programs; renewable energy requirements of electric utilities and retail cooperatives; requiring electric utilities to purchase renewable energy from certain renewable facilities in their service territories; authority of the Public Service Commission over nuclear power plants; motor vehicle emission limitations; a low carbon standard for transportation fuels; the brownfield site assessment grant program, the main street program, the brownfields grant program, the forward innovation fund, grants to local governments for planning activities, the transportation facilities economic assistance and development program, a model parking ordinance; surface transportation planning by the Department of Transportation and metropolitan planning organizations to reduce greenhouse gas emissions; environmental evaluations for transportation projects; idling limits for certain vehicles; energy conservation codes for public buildings, places of employment, oneand two-family dwellings, and agricultural facilities; design standards for state buildings; energy efficiency standards for certain consumer audio and video devices, boiler inspection requirements; greenhouse gas emissions and energy use by certain state agencies and state assistance to school districts in achieving energy efficiencies; creating an exception to local levy limits for amounts spent on energy efficiency measures; creating an energy crop reserve program; identification of private forest land, promoting sequestration of carbon in forests, qualifying practices and cost-share requirements under the forest grant program established by the Department of Natural Resources; air pollution permits for certain stationary sources reducing greenhouse gas emissions; allocating a portion of existing tax-exempt industrial development revenue bonding to clean energy manufacturing facilities and renewable power generating facilities; requiring a report on certain programs to limit greenhouse gas emissions; granting rule-making authority; requiring the exercise of rule-making authority; and providing a penalty

### **Assumptions Used in Arriving at Fiscal Estimate**

The 2009 Assembly Bill 649 (AB 649) includes the following provisions affecting the Department of Commerce:

Climate Change Coordinating Council

The bill creates a Climate Change Coordinating Council and requires the Secretary of Commerce or his or her designee to be a member of it.

Industrial Development Bonds

This bill requires the Department to annually dedicate 25 percent of the portion of the volume cap allocated to municipalities to private revenue bonds issued to finance clean energy manufacturing facilities and renewable power generating facilities. This bill also allows Commerce, by rule, to reallocate any unused portion of the 25 percent allocated to clean energy manufacturing facilities and renewable power generating facilities for which no revenue bonds have been issued and for which no resolutions authorizing the issuance of revenue bonds have been adopted.

Under current law, Commerce authorizes municipalities to issue industrial development revenue bonds for an assortment of reasons. This bill directs Commerce to promulgate rules which will annually dedicate 25 percent of the industrial development revenue bonds for clean energy manufacturing facilities and renewable power generating facilities. The Department anticipates that it will be able to promulgate the rules for the allocation within the agency's current resources.

### Main Street Program

This bill permits Commerce to give additional consideration to a community which is applying for Main Street status, that has a project which will result in a reduction in travel, energy use, or the emission of greenhouse gasses or which is located in a qualified area defined in the bill. This provision will not have a fiscal effect on the Department.

### Brownfields Program

AB 649 requires Commerce to give additional consideration to a recipient that is a city, village, town or county and has a project that will result in a reduction in travel, energy use, or the emission of greenhouse gases or that is located in a qualified area which is defined in the bill. The Department must also establish by rule a match of less than the usual percentage of the costs of the project, if the recipient of the grant is a city, village, town or county and the project is a qualifying project. The Department anticipates that it will be able to promulgate the rules establishing a lower match for municipalities with a qualifying project within the agency's current resources.

#### Forward Innovation Fund

AB 649 requires Commerce to give additional consideration to an eligible activity proposed by an eligible recipient that is a governing body of a municipality if the eligible activity will result in a reduction in travel, energy use, or the emission of greenhouse gases, or if the eligible activity is located in a qualified area. The Department must also establish, by rule, a match of less than 25 percent for a municipality that receives a grant or loan and the grant or loan is awarded for a project that results in a reduction in travel, energy use, or the emission of greenhouse gases, or if the eligible activity is located in a qualified area. The Department anticipates that it will be able to promulgate the rules establishing a lower match for municipalities with a qualifying project within the agency's current resources.

### Energy Efficiency and Conservation Standards

AB 649 updates the requirements of the Department regarding the adoption of energy conservation standards for the construction of public buildings and places of employment, and residential dwellings. Specifically, the bill requires the Department to adopt the most recent generally accepted standards for energy conservation in construction and submit updates of these rules to the Legislature within 18 months of a revision to the generally accepted standards. Currently, the Department administers Comm 22 and Comm 63, the state's energy conservation codes for residential and commercial building construction, respectively. These codes currently reflect generally accepted standards and are regularly updated. Therefore, the Department estimates no additional workload resulting from updates to these currently existing codes.

AB 649 also requires the Department to promulgate rules establishing voluntary energy conservation standards that provide significantly greater energy conservation benefits than those provided by the required Commercial building energy conservation code. AB 649 directs the Department to adopt generally accepted standards for this purpose. The Department estimates a workload associated with the promulgation of administrative rules, and the regular updating of those rules. However, the Department estimates that the additional workload can be addressed within existing resources.

AB 649 requires that the Department promulgates rules establishing standards for energy conservation in agriculture buildings. Currently, the Department's building construction rules generally do not apply to agriculture buildings (electrical and plumbing standards do apply) and the Department does not have standards for the particular energy conservation needs of these buildings. The Department estimates a workload associated with the promulgation of administrative rules, and the regular updating of those rules. A workload may also be associated with the administration/enforcement of these standards (plan review, inspection, consultation, etc.). The Department estimates that the additional workload can be addressed within existing resources.

### **Boiler Inspection Requirements**

AB 649 requires that owners of industrial boilers obtain an annual inspection for compliance with energy efficiency standards, and that the Department may promulgate rules to implement and enforce this requirement. The Department currently administers boiler safety standards, and provides for the regular inspection (primarily by private party inspectors) and for permitting of boilers for adherence to safety standards. In the event the Department elects to promulgate rules and enforce the inspection requirement of AB 649, a workload associated with adopting energy efficiency standards and enforcement requirements for these boilers, permitting of the boilers, and consultation with and training of boiler inspectors for this particular task is anticipated. The Department estimates that the additional workload can be addressed within existing resources.

### Assessment of Department's Progress

AB 649 requires that, no later than July 1, 2013, and at least every 4 years thereafter, the department

prepare an assessment regarding progress toward meeting the new building zero energy use goals indicated by AB 649. The Department estimates a workload associated with developing the capacity to measure zero energy use and collect such data statewide, and the compilation of the required report. The Department estimates that the additional workload can be addressed within existing resources.

**Long-Range Fiscal Implications** 

☑ Original ☐ Updated	Corrected	Supplemental
LRB Number 09-4076/1	Introduction Number	AB-0649
Description Goals for reductions in greenhouse gas emission energy conservation; information, analyses, representations and climate change; energy efficiency requirements of electric utilities and retail coope energy from certain renewable facilities in their substitution commission over nuclear power plants; motor of transportation fuels; the brownfield site assessming brownfields grant program, the forward innovation the transportation facilities economic assistance surface transportation planning by the Department organizations to reduce greenhouse gas emissic idling limits for certain vehicles; energy conservation and two-family dwellings, and agricultural facilities standards for certain consumer audio and video emissions and energy use by certain state agent energy efficiencies; creating an exception to local measures; creating an energy crop reserve programs established by the Department of Nature sources reducing greenhouse gas emissions; all development revenue bonding to clean energy facilities; requiring a report on certain programs authority; requiring the exercise of rule-making a	corts, education, and training concery and renewable resource program eratives; requiring electric utilities to service territories; authority of the Pyehicle emission limitations; a low cannot grant program, the main street on fund, grants to local government and development program, a modent of Transportation and metropolitons; environmental evaluations for ation codes for public buildings, places; design standards for state build to devices, boiler inspection requirements and state assistance to school all levy limits for amounts spent on egram; identification of private forest actices and cost-share requirements and Resources; air pollution permits llocating a portion of existing tax-exmanufacturing facilities and renewant limit greenhouse gas emissions;	rning greenhouse gas as; renewable energy b purchase renewable cublic Service arbon standard for a program, the ats for planning activities, lel parking ordinance; tan planning transportation projects; aces of employment, one- lings; energy efficiency nents; greenhouse gas al districts in achieving energy efficiency land, promoting s under the forest grant afor certain stationary tempt industrial able power generating
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Agency/Prepared By	Authorized Signature	Date

# Fiscal Estimate Narratives DATCP 2/11/2010

LRB Number	09-4076/1	Introduction Number	AB-0649	Estimate Type	Original

### Description

Goals for reductions in greenhouse gas emissions, for construction of zero net energy buildings and for energy conservation; information, analyses, reports, education, and training concerning greenhouse gas emissions and climate change; energy efficiency and renewable resource programs; renewable energy requirements of electric utilities and retail cooperatives; requiring electric utilities to purchase renewable energy from certain renewable facilities in their service territories; authority of the Public Service Commission over nuclear power plants; motor vehicle emission limitations; a low carbon standard for transportation fuels; the brownfield site assessment grant program, the main street program, the brownfields grant program, the forward innovation fund, grants to local governments for planning activities, the transportation facilities economic assistance and development program, a model parking ordinance; surface transportation planning by the Department of Transportation and metropolitan planning organizations to reduce greenhouse gas emissions; environmental evaluations for transportation projects; idling limits for certain vehicles; energy conservation codes for public buildings, places of employment, oneand two-family dwellings, and agricultural facilities; design standards for state buildings; energy efficiency standards for certain consumer audio and video devices, boiler inspection requirements; greenhouse gas emissions and energy use by certain state agencies and state assistance to school districts in achieving energy efficiencies; creating an exception to local levy limits for amounts spent on energy efficiency measures; creating an energy crop reserve program; identification of private forest land, promoting sequestration of carbon in forests, qualifying practices and cost-share requirements under the forest grant program established by the Department of Natural Resources; air pollution permits for certain stationary sources reducing greenhouse gas emissions; allocating a portion of existing tax-exempt industrial development revenue bonding to clean energy manufacturing facilities and renewable power generating facilities; requiring a report on certain programs to limit greenhouse gas emissions; granting rule-making authority; requiring the exercise of rule-making authority; and providing a penalty

### **Assumptions Used in Arriving at Fiscal Estimate**

This bill contains numerous provisions affecting state and local governments. This estimate addresses only those provisions that directly affect the department. They are:

- 1. Climate change coordinating council
- 2. Energy crop reserve program
- 3. Bioenergy feedstock production incentive study
- 4. Audio and video efficiency standards
- 5. Agricultural building code
- 6. Statewide greenhouse gas emissions goals
- 7. State agency greenhouse gas emissions

Although several of the provisions would increase department workload by requiring staff time for studies, service on the coordinating council, and consultation with other agencies, it may be possible to absorb this workload with existing staff. Because the bill's requirements are general, no specific estimate of staff time is made here.

## 1. Climate change coordinating council

The bill establishes a Climate Change Coordinating Council with representatives from DOA, DATCP, DNR, Commerce, DHS, DOT, UW, PSC, OEI, and the Governor's office. Under the bill, the department's duties on the council would be performed by existing staff.

### 2. Energy crop reserve program

The bill establishes an Energy Crop Reserve Program and authorizes the department to contract for biomass production and to promulgate rules for the program. Payments may be made for part of the cost of establishing a crop, for income replacement during crop establishment, and production payments.

Under the bill, the program is effective at the start of the next fiscal biennium, July 10, 2011. The bill

provides no funding or staffing for the program. Until funding sources and amounts are determined in the next biennial budget, no estimate of costs can be made.

### 3. Bioenergy feedstock production incentive study

The bill directs the department, in consultation with the Department of Natural Resources, to conduct a study of the adequacy of current incentives for the production of biomass for use as a bioenergy feedstock, including incentives in the private market and incentives provided in government programs. The department must consult with various governmental and private organizations.

A report must be submitted to the Climate Change Coordinating Council by July 1, 2013. The bill provides no funding for the study, and it would be completed using existing staff resources.

### 4. Audio and video efficiency standards

The bill prohibits the sale of certain audio and video equipment that uses too much power in standby mode. The bill establishes a \$100 forfeiture per offense (each item sold). The department is given enforcement authority but no additional rule-making authority.

The bill provides no additional staffing or funding to enforce these provisions. The department would operate on a complaint basis as time allows, but would not be able to actively test the wide variety of equipment sold in the state.

## 5. Agricultural building code

The bill directs the Department of Commerce to establish an energy conservation code applicable to agricultural facilities. At a minimum, the code must apply to barns and milking parlors.

Commerce must consult with the department before promulgating this code. The department would absorb any workload associated with this consultation using existing staff resources.

### 6. Statewide greenhouse gas emissions goals

The bill requires the Department of Natural Resources, with the assistance of various agencies, to gather information, promulgate rules, and assess greenhouse gas emissions goals for the state. The assistance required of the department would be provided with existing resources.

#### 7. State agency greenhouse gas emissions

The bill directs the department, along with several other agencies, to prepare an analysis that estimates the amount of greenhouse gas emissions that are attributable to activities of the agency in calendar years 2005 and 2010, and to prepare reductions goals and a plan for achieving them. The department would absorb these requirements with existing staff.

### Long-Range Fiscal Implications

Original		Updated	Corre	ected	Supple	emental
LRB Number	09-4076/1		Introduction	on Number	AB-064	9
Description Goals for reduction energy conservation emissions and clim requirements of elemergy from certain Commission over retransportation fuels brownfields grant puthe transportation is surface transportation organizations to reidling limits for certain two-family dwest and ards for certain emissions and energy efficiencies measures; creating sequestration of caprogram establishes sources reducing get development revertacilities; requiring authority; requiring	en; information, a late change; ene ectric utilities and in renewable facilities power place; the brownfield program, the forwacilities economically and agricular power agricular power agricultura power agric	nalyses, reports, rgy efficiency and retail cooperative ities in their service ants; motor vehicles ite assessment of a cassistance and he Department of gas emissions; argy conservation ultural facilities; dio and video device petion to local levereserve programa qualifying practicement of Natural Remissions; allocate an energy manuin programs to linger to the programs of the programs to linger the programs of the programs of the programs of the programs of the programs to linger the programs of the progr	education, and renewable reses; requiring electerritories; are emission limit grant program, and, grants to lot development of Transportation environmental codes for publices, boiler inspand state assisty limits for amount in the codes; are point and cost-shate esources; air pring a portion of a facturing facilit greenhouse	training concerts ource programs ectric utilities to puthority of the Potations; a low cathe main street cal governments or and metropolities and metropolities for state buildings, places for state buildings places for state buildings places for state buildings places for state buildings pection requirements of private forest lare requirements ollution permits fexisting tax-exercies and renewalt gas emissions;	ning greenhos; renewable purchase rerublic Service arbon standa program, the story planning an planning ransportation districts in a energy efficiel and, promote under the fofor certain stempt industricts in stempt industricts in stempt industricts in stempt industricts power ge	ouse gas energy newable rd for g activities, dinance; n projects; yment, one- efficiency iouse gas chieving ncy ing orest grant ationary al nerating
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Agency/Prepared			norized Signat	ure		Date

# Fiscal Estimate Narratives DNR 2/19/2010

LRB Number 09-4076/1	Introduction Number	AB-0649	Estimate Type	Original

## Description

Goals for reductions in greenhouse gas emissions, for construction of zero net energy buildings and for energy conservation; information, analyses, reports, education, and training concerning greenhouse gas emissions and climate change; energy efficiency and renewable resource programs; renewable energy requirements of electric utilities and retail cooperatives; requiring electric utilities to purchase renewable energy from certain renewable facilities in their service territories; authority of the Public Service Commission over nuclear power plants; motor vehicle emission limitations; a low carbon standard for transportation fuels; the brownfield site assessment grant program, the main street program, the brownfields grant program, the forward innovation fund, grants to local governments for planning activities, the transportation facilities economic assistance and development program, a model parking ordinance; surface transportation planning by the Department of Transportation and metropolitan planning organizations to reduce greenhouse gas emissions; environmental evaluations for transportation projects; idling limits for certain vehicles; energy conservation codes for public buildings, places of employment, oneand two-family dwellings, and agricultural facilities; design standards for state buildings; energy efficiency standards for certain consumer audio and video devices, boiler inspection requirements; greenhouse gas emissions and energy use by certain state agencies and state assistance to school districts in achieving energy efficiencies; creating an exception to local levy limits for amounts spent on energy efficiency measures; creating an energy crop reserve program; identification of private forest land, promoting sequestration of carbon in forests, qualifying practices and cost-share requirements under the forest grant program established by the Department of Natural Resources; air pollution permits for certain stationary sources reducing greenhouse gas emissions; allocating a portion of existing tax-exempt industrial development revenue bonding to clean energy manufacturing facilities and renewable power generating facilities; requiring a report on certain programs to limit greenhouse gas emissions; granting rule-making authority; requiring the exercise of rule-making authority; and providing a penalty

### Assumptions Used in Arriving at Fiscal Estimate

1.Greenhouse Gas (GHG) Emission Reduction Goals-- This bill specifies goals for statewide reductions in net greenhouse gas emissions. The bill requires the Department of Natural Resources (DNR) to quadrennially assess progress toward meeting the goals. This bill requires DNR to collect or estimate information on greenhouse gas emissions, to prepare inventories and analyses of greenhouse gas emissions, and to quadrennially prepare an assessment of whether this state is meeting current greenhouse gas emission reduction goals and of whether the state is likely to meet future goals. The bill requires DNR to propose new climate change programs or changes in existing programs or goals.

Under current DNR rules, the threshold for a stationary source of air emissions to report its emissions of carbon dioxide is 100,000 tons per year. The bill requires DNR to lower the threshold to 10,000 tons per year and to require a source that must report its emissions of carbon dioxide to also report methane and nitrous oxide emissions from the combustion of fuel.

DNR currently collects, models and estimates air emissions data from stationary, area and mobile sources. As a result, the Department can utilize existing resources to accomplish this goal. The quadrennial assessment report would require reallocation of resources once every four years.

The comprehensive accounting system needed to support analysis of whether the State is achieving its goals under AB 649 would create an additional demand for resources, but that demand is somewhat mitigated by parallel program developments that are responding to other DNR program demands. As result, by 2012, when the analysis for the first quadrennial report will begin, it is anticipated that additional data sources will be available thus reducing the overall cost and providing a more complete and useful system for all department needs. However, the system to measure changes in GHG due to changes in land use and management would still need to be developed.

Resources associated with developing and maintaining this system include:

- 1.0 GIS Programmer/Analyst \$74,000
- 1.0 Data Technician \$64,000

Reallocation of 1.0 FTE effort -0-Supplies and Services Funds \$55,000 \$291,200

This level of resources would provide for:

- 1. Data Assessment interval 2 years
- 2. Level of analysis is similar to the federal Forest Inventory and Analysis (FIA)
- 3. Continuity and consistency of the data and its analysis would be alleviated by use of FTE and an increased amount of ground truthing via use of LTE's and reallocation of existing field staff time.
- 4. Meets some of the anticipated needs of the department, but it is unclear to what extent.
- a. Land use classifications would be more refined such as pine, northern hardwood, aspen/birch. As opposed to broader classifications like broadleaf or conifer.
- b. Range of Scale would be 40 acre tracts subdivided into land types using tax parcel information.
- 5. Data and products would be housed in DNR.
- 6. Utilizes a combination of image processing extrapolation of other GIS data & ground-truth.

Additional resources could provide for more frequent updates, greater levels of classification detail, more extensive ground truthing.

2. Motor Vehicle Emission Standards-- This bill requires DNR to promulgate rules specifying emission limitations for vehicles that are identical to the California emission limitations, including the greenhouse gas emission limitations, but not including the zero emission vehicle requirements. The bill authorizes DNR to promulgate rules that are identical to the California zero emission vehicle requirements if DNR determines that those requirements would be an effective and efficient part of the strategy for this state to meet its greenhouse gas emission reduction goals. The bill also requires DNR to study any greenhouse gas emission reduction requirements applicable to other motor vehicles that California adopts after October 1, 2009, and to report the results of its study to the legislature.

DNR Air Management staff have already conducted, and continue to conduct, extensive research and analysis related to mobile source emissions, including from engine idling and as related to fuel combustion. In addition, EPA has initiated rule-making to regulate GHG emissions from on-road vehicles, and the resulting Federal emissions standards will be generally consistent with the California motor vehicle GHG standards. As such, this type of work would be conducted by the program regardless of whether this bill was enacted and will be accommodated with existing resources.

3. Low Carbon Fuel Standard-- This bill requires DNR to promulgate a rule requiring the reduction in the carbon intensity of transportation fuels sold in this state, if specified conditions are met. The bill requires DNR to promulgate the rule if an advisory group to the Midwestern Governors Association (MGA) makes recommendations on the design of a low carbon fuel standard and the recommendations are endorsed by the governors of a majority of the states whose governors endorsed the MGA Energy Security and Climate Stewardship Platform in 2007, including Wisconsin's governor. The DNR rule must be consistent with the advisory group's recommendations. The bill requires DNR to cooperate with other states in its activities related to the low carbon fuel standard, including in operating a regional system for trading credits that may be used to comply with the low carbon fuel standard.

(For fiscal effect see #2 above)

4. Assistance to Communities, Brownfields Site Assessment Grants-- This bill authorizes DNR, in awarding grants under the program, to give extra weight to projects that will result in a reduction of travel, energy use, or emissions of greenhouse gases or that are located in qualified areas. The bill also authorizes DNR to promulgate a rule that reduces the amount of matching funds that are required under the program for such a project to below 20 percent of the amount of the grant.

This provision will not require additional resources as it only applies new criteria to an existing program.

5. Surface Transportation Planning to Reduce Greenhouse Gas Emissions-- This bill requires DOT, in consultation with DNR, to establish statewide goals for reducing greenhouse gas emissions from surface transportation that will contribute to achieving the state's overall statewide greenhouse gas emission reduction goals.

This provision has limited DNR impact as DOT is the lead agency. (For fiscal effect see #2 above)

6. Environmental Evaluations for Transportation Projects-- The bill also requires DOT, in consultation with DNR, to appoint a technical advisory committee to make recommendations to DOT on: the factors to be

considered, and the methodology to be used, in preparing emission and energy evaluations; and setting a monetary value for greenhouse gas emissions and energy use, emission and energy evaluations; and setting a monetary value for greenhouse gas emissions and energy use.

Primarily DOT. DNR routinely consults with DOT on environmental impacts of transportation projects. This provision will not require additional resources to implement

7. Engine Idling-- This bill prohibits the operator of a motor truck, truck tractor, or road tractor (truck) from allowing the primary propulsion engine of the vehicle to idle for more than five minutes in any 60 minute period with certain specified exceptions. The bill also requires DNR to study ways to reduce greenhouse gas emissions from the idling of other kinds of engines.

(For fiscal effect see #2 above)

8. Greenhouse Gas Emissions by Major State Agencies-- Currently, with certain exceptions, DOA must ensure that the specifications for each state construction project require the use of recovered and recycled materials to the extent that such use is technically and economically feasible. This bill directs nine state agencies, including DNR, to prepare an analysis that estimates the amount of greenhouse gas emissions that are attributable to activities of the agency in calendar years 2005 and 2010; establish achievable reduction goals and develop a plan for achieving the goals by January 1, 2020.

DNR has had procedures in place for the last several years designed to reduce the Department's carbon footprint. This is demonstrated by LEED certified regional headquarters in Green Bay and Spooner. The Department also recently completed a Facilities Energy Efficiency Plan, which is consistent with these goals. Therefore, these requirements should not result in any additional costs to the Department.

9. Energy Crop Reserve Program-- This bill directs DATCP to establish and administer a program to subsidize the production of crops to be used for the production of fuel or energy. DATCP must annually report to DNR and DOA on the acres of land enrolled in the program, the number of tons and types of energy crops harvested under the program, and the costs of the program. This bill also requires DATCP and DNR to study whether financial incentives provided to bioenergy feedstock producers by state and federal programs, in effect on the effective date of the bill, are adequate to prompt the sustainable production of a supply of biomass that will significantly contribute to the achievement of state greenhouse gas emission reduction goals. If DATCP and DNR determine, as a result of the study, that current state and federal financial incentives are not adequate, they must recommend changes to current law and propose new legislation to induce bioenergy feedstock producers to sustainably increase their production of biomass to achieve state greenhouse gas emission reduction goals by July 1, 2013.

Primarily DATCP program, no on-going DNR costs.

10. Forestry-- Under current law, DNR awards grants to certain eligible private forest land owners to develop and implement forest stewardship management plans and to control invasive plants.

This bill requires DNR to promulgate rules that describe those forest stewardship management plan practices that are eligible for funding under the grant program. The bill also limits the matching contribution required to be made by a grant recipient who is awarded a grant to plant and maintain trees to not more than 25 percent of that portion of the grant that is for the costs incurred in planting and maintaining the trees, subject to the availability of funds. The bill requires DNR to provide technical assistance to promote sustainable forest management that increases the long term storage of carbon (carbon sequestration) in forests owned by private persons and to assist them to generate marketable credits that can be used by purchasers to satisfy limits on emissions of greenhouse gases. The bill requires DNR to produce standards and practices for monitoring and measuring carbon sequestration by forests. The bill also requires DNR to attempt to identify owners of private forest land who do not participate in forestry programs, and to notify those owners about available information and technical assistance.

The bill also establishes a multi-step process for the creation of a quadrennial report to the Legislature and Governor by the Climate Change Coordinating Council that evaluates whether the state is achieving its statewide GHG emission reduction goals and whether any state or local climate change related programs should be modified or created. This process includes the DNR collecting or estimating GHG emissions data from man-made and natural sources; preparing a state GHG emissions inventory and analysis of information in the inventory and preparing an assessment for the Council of changes in net GHG emissions and whether current and future statewide GHG emission reduction goals are being, or will be, met.

The provisions associated with grants and forest management will not require additional new resources as

they only apply new criteria or techniques to existing programs. Data needs would be satisfied by the system and resources described in #1 above.

11. Air Pollution Permitting For Sources Reducing Greenhouse Gas Emissions-- This bill requires DNR to implement measures to lessen air pollution permit obligations for the construction or modification of a stationary source for which a major source construction permit is not required if the construction or modification would significantly reduce emissions of greenhouse gasses.

This provision will not require additional resources as it only applies new criteria to an existing program.

12. Report On Cap and Trade Program-- This bill requires DNR to report to the legislature and the governor if the federal government establishes, or governors of this state and other Midwestern states recommend, a greenhouse gas cap and trade program.

The Department has been tracking legislative and other actions related to climate change and GHG regulation for several years. For example, in June 2009 the U.S. House passed comprehensive climate change legislation, and in September 2009 committee review commenced of the Senate's version of climate change legislation; the Air Program prepared several analyses of these bills, and responded to numerous questions from the public, potentially affected members of the regulated community, other state agencies, Wisconsin State and Federal legislators, and the Governor's office. This work was conducted using existing resources. Based on this, it is not anticipated that additional resources will be needed to prepare the report called for in the bill.

Long-Range Fiscal Implications

# Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

	Original		Updated		Corrected		Supplemental
LRB	Number	09-4076/	1	Intro	duction Nur	nber	AB-0649
for energy greenhyrenewa purcha Public carbon street program Transpenviror conser agricul consurenergy efficier measus grant program to station in destroyen to the consument of	for reductions or reductions or reductions or server as emergy reserved by service Comports of the service Comports of the service Comports of the service codes the service of the servic	ation; informated inssions and contents of equirements of equirements of equirements of energy from inssion over transportation brownfields granking ordinal metropolitan putions for transfor public builts; design state agents an energy cropping an exception in forests blished by the reducing green entrevenue by requiring a regular purpose authority; regular properties of the revenue of	ion, analyses, re limate change; of electric utilities certain renewal nuclear power program, the grant program, the transport ce; surface training organization projections, places of dards for state bes, boiler inspectives and state and to local levy limps, qualifying practices and state and to local levy limps, qualifying practices and state and to local levy limps, qualifying practices and state and to local levy limps, qualifying practices and state and to local levy limps, qualifying practices and state and the local levy limps and programment of the local levy limps, qualifying the exercises and state and the local levy limps and the local levy limps and the local levy limps are programment of the local levy limps and the local levy limps are programment of the local levy limps are program	eports, ecenergy es and ret ole facilities and requision requires and retrieval Fessions; and remergy reprogram ocise of ru	ducation, and tra- ficiency and ren- ail cooperatives; es in their service of their service es assessment god innovation fun- lities economic on planning by the reduce greening g limits for certa- ment, one- and the energy efficience irements; greening to school distriction of private the cost-share required cost-share required desources; air politication approximation of privates are privated desources; air politication approximation of privates are privated as a portion of the cost-share required as a portion of the co	aining cor newable r requiring ce territor ssion limi grant prog d, grants assistance ne Depar ouse gas ain vehicle two-family by standa house gas cts in ach ne energy ate forest uirement collution por on of exist acilities ar ouse gas prity; and	esource programs; g electric utilities to ries; authority of the tations; a low tram, the main to local ce and development tment of emissions; es; energy y dwellings, and rds for certain is emissions and sieving energy efficiency land, promoting s under the forest ermits for certain sting tax-exempt and renewable power
II. Ann	ualized Cos	ts:			Annualized Fi	scal Imp	act on funds from:
					Increased Cost	- <sub>1</sub>	Decreased Costs
A. Sta	te Costs by	Category					
State	e Operations	- Salaries and	d Fringes		\$138,000	0	\$
(FTE	Position Ch	anges)			(2.0 FTE	()	
State	e Operations	- Other Costs			153,200	0	
	al Assistance						
	<del></del>	s or Organiza					
T	OTAL State	Costs by Cat	egory		\$291,20	0	\$
B. Sta	te Costs by	Source of Fu	nds				
GPF	₹						
FED	)						
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SEG	S/SEG-S				291,200	0	
III. Sta revenu	te Revenues ues (e.g., tax	s - Complete increase, de	this only when crease in licen	proposa se fee, e	ıl will increase ts.)	or decre	ase state
					Increased Re	v	Decreased Rev
GPF	R Taxes				\$	; <b>[</b>	\$

DNR/ Joe Polasek (608) 266-2794	Jo	e Polasek (608) 266-2794	2/19/2010
Agency/Prepared By	Αι	ıthorized Signature	Date
NET CHANGE IN REVENUE		\$	\$
NET CHANGE IN COSTS		\$291,200	\$
		State	Loca
NET AI	NNUALIZ	ZED FISCAL IMPACT	
TOTAL State Revenues		\$	\$
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LRB	Number	09-4076/1		Introduction	on Number	AB-064	19
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Fund S	Sources Affe		PRS SEG		fected Ch. 20	Appropriati	ons
Agenc	y/Prepared E	Зу	Auth	norized Signati	ure		Date

# Fiscal Estimate Narratives DOA 2/26/2010

LRB Number	09-4076/1	Introduction Number	AB-0649	Estimate Type	Original

### Description

Goals for reductions in greenhouse gas emissions, for construction of zero net energy buildings and for energy conservation; information, analyses, reports, education, and training concerning greenhouse gas emissions and climate change; energy efficiency and renewable resource programs; renewable energy requirements of electric utilities and retail cooperatives; requiring electric utilities to purchase renewable energy from certain renewable facilities in their service territories; authority of the Public Service Commission over nuclear power plants; motor vehicle emission limitations; a low carbon standard for transportation fuels; the brownfield site assessment grant program, the main street program, the brownfields grant program, the forward innovation fund, grants to local governments for planning activities, the transportation facilities economic assistance and development program, a model parking ordinance; surface transportation planning by the Department of Transportation and metropolitan planning organizations to reduce greenhouse gas emissions; environmental evaluations for transportation projects; idling limits for certain vehicles; energy conservation codes for public buildings, places of employment, oneand two-family dwellings, and agricultural facilities; design standards for state buildings; energy efficiency standards for certain consumer audio and video devices, boiler inspection requirements; greenhouse gas emissions and energy use by certain state agencies and state assistance to school districts in achieving energy efficiencies; creating an exception to local levy limits for amounts spent on energy efficiency measures; creating an energy crop reserve program; identification of private forest land, promoting sequestration of carbon in forests, qualifying practices and cost-share requirements under the forest grant program established by the Department of Natural Resources; air pollution permits for certain stationary sources reducing greenhouse gas emissions; allocating a portion of existing tax-exempt industrial development revenue bonding to clean energy manufacturing facilities and renewable power generating facilities: requiring a report on certain programs to limit greenhouse gas emissions; granting rule-making authority; requiring the exercise of rule-making authority; and providing a penalty

### Assumptions Used in Arriving at Fiscal Estimate

AB-649 is a wide ranging bill which impacts several Department of Administration (DOA) functions. This fiscal estimate addresses estimated costs as they pertain to managing state buildings and vehicles, making grants to local units of government, and supporting other state agencies.

### Planning Grants to Local Governments:

DOA provides grants to local governments and planning commissions to support the costs of planning activities. ADM48 - "Comprehensive Planning and Transportation Planning Grants Program" sets out the rules that govern this grant program. This rule will need to be amended by the requirement that consideration of traditional neighborhood development be included in the list of elements used to rank grant applications. DOA estimates that this rule revision will require staff time, however, the workload can be absorbed within existing DOA resources. While DOA anticipates no additional direct costs to implement this provision, the Department is not able to determine the fiscal impact on local units of government without knowing the circumstances of each unit of government and each grant application.

### DOA Participation with other Agencies:

AB-649 requires DOA to consult with the Department of Transporation (DOT) to identify strategies for reducing greenhouse gas emissions from surface transportation and develop methods and procedures for preparing multimodal transportation plans that incorporate these strategies. Additionally, the Office of Energy Independence (OEI) within DOA is directed to participate in a study with the Department of Agriculture, Trade and Consumer Protection (DATCP) and the Department of Natural Resources (DNR) about whether financial incentives for bioenergy feedstocks are adequate. DOA anticipates that these duties can be absorbed by existing staff.

In addition, AB-649 makes the DOA Secretary or designee a member of the Climate Change Coordinating Council. To the extent that the duties are not able to be performed by the Secretary, they will be assigned to current staff with no additional fiscal impact.

#### Zero Net Energy Building Goal:

AB-649 establishes a goal that, by 2030, newly constructed residential or commercial buildings use no more energy than is generated on-site using renewable resources. At this time, DOA is unable to reliably forecast the rate of technology advances or the range of options available to meet this requirement over the next 20 years and, consequently, cannot quantify the cost of this provision to the state building program.

### **Boiler Inspection Requirements:**

The Division of State Facilities within DOA operates numerous solid fuel and gas-fired boilers at over 31 central heating plants around the State. While the Division conducts regular safety inspections of these boilers, AB-649 adds a requirement for an annual efficiency inspection. If deficiencies are detected, the bill requires a capital expenditure to maximize energy efficiency and minimize greenhouse gas emissions. However, the cost of corrective action is not measurable at this time because DOA cannot know the extent of those corrections.

### Design Standards for State Buildings:

AB-649 requires that major state construction projects comply with design standards which the bill requires the Department of Commerce to develop. Minor construction projects are also required to comply if it is technically feasible and cost effective to do so.

Executive Order #145, signed on April 11, 2006, requires that new state buildings be constructed to an energy efficiency standard 30% above the current commercial building code. The State of Wisconsin owns over 6,000 existing buildings that could be impacted. While many are already constructed to standards deemed energy efficient, energy audits to document compliance with these provisions could add to the costs of future remodeling or upgrade projects. The Division of State Facilities considers it likely that existing practices under Executive Order #145 may comply in large part with prospective Commerce rules. If so, AB-649 may not increase DOA costs from current practice. Since Executive Order #145 currently grants DOA the flexibility to determine how best to meet the energy goal, and if the Department of Commerce rules prescribe specific measures, the Division of State Facilities may encounter higher costs. This potential cost cannot be estimated until the Department of Commerce rules are established.

### Assistance to School Districts:

AB-649 requires OEI to provide information that will help school districts minimize their expenses and environmental impacts by modifying facilities and operational practices. It also encourages schools to voluntarily conduct analyses, establish goals and plans similar to those required for certain state agencies. While this responsibility is beyond the current responsibilities of OEI staff, the extent to which school districts will require assistance is not yet known and, therefore, the fiscal effect is indeterminate.

### Motor Vehicle Emissions Standards:

AB-649 requires the DNR to promulgate emission rules for cars and trucks that are identical to the standards of the California Air Resources Board (CARB). The DNR may also promulgate identical rules for zero emissions vehicles. Although it is possible that this provision will increase the price of state fleet vehicles purchased by DOA, estimates of any increase would vary widely. Given the large number of variables, the fiscal effect of this provision on DOA is indeterminate.

### Low Carbon Fuel Standard:

AB-649 also requires the DNR, under certain circumstances, to issue a rule requiring the use of low carbon fuel. The fiscal impact of a low carbon fuel standard on DOA's purchase and operation of fleet vehicles is indeterminate because the large number of variables.

Further, the DNR is directed to promulgate a rule only if certain actions are taken by the Midwest Governors' Association regarding the design of the standard. Wisconsin's Governor must also concur with the action of the Midwest Governors and the DNR rule must be in response to, and consistent with, that action. DOA is not able to know when or if this requirement will become effective or what the specifics of the standard would be. Consequently, DOA is unable to forecast the impact of such a rule on fuel prices that would be paid by DOA and, therefore, the cost is indeterminate.

## Engine Idling:

AB-649 establishes limits on vehicle idling by certain trucks. DOA fleet management officials believe that these provisions can be easily complied with and will not have a significant impact on DOA.

Greenhouse Gas Emissions by Major State Agencies:

AB-649 requires that nine state agencies develop estimates of their greenhouse gas emissions along with goals for the reduction of those emissions and plans to meet the goals. DOA is tasked to create guidelines and protocols for the agencies to use in the process.

DOA currently collects, or has access to, the data needed to develop basic estimates of GHG emissions attributable to agency activities. The Division of State Facilities maintains a database to collect energy use data on state buildings. The Bureau of Transportation in DOA's Division of Enterprise Operations keeps data on DOA fleet vehicles including trucks.

The cost to collect data and analysis to meet the standard required by many GHG emission tracking protocols would require upgrades to the metering capabilities currently in place at many state facilities. DOA is directly responsible for the operation of 33 buildings; seven of these have already installed Building Automation Systems that may comply with enhanced data gathering requirements. Such automated systems could involve additional expenses at each of the other 26 buildings. No specific work plan has been developed to measure and reduce GHG emissions and until a workplan is adopted, DOA is not able to estimate the cost.

While the agencies are directed to establish specific goals, AB-649 requires DOA to set overall goals that ensure that by 2020 energy use by all state agencies is 30% lower than the 2005 level. By the same deadline, greenhouse gas emissions must be reduced by 22% from the 2005 level by major state agencies. The bill further establishes a schedule that requires 10% of the energy used by all state agencies to come from biomass sources in 2010, increasing to 25% by 2025. The large number of variables prevents DOA from developing a reliable cost estimate at this time.

#### Local Levy Limits:

Currently, local units of government are limited in the amount they can raise local tax levies. Section 16.0602(3)(e) lists a number of exemptions to the limits. AB-649 would add expenditures for energy efficiency measures and renewable energy products to the list of exceptions. DOA is directed to promulgate rules to facilitate implementation of this provision. The Department of Revenue (DOR) has issued TAX21 - "County Tax Levy Limit." In promulgating a rule that focuses on activities that are allowed to exceed the limit, DOA will need to coordinate its rule with the Department of Revenue. While the extent of coordination is not yet known at this time, it is anticipated that any additional workload can be absorbed.

Any impact of the levy limit exemption on counties will be determined by their decisions regarding the purchase of energy efficient measures and renewable energy products. This impact is indeterminate at this time.

### **Long-Range Fiscal Implications**

The field of clean energy, energy efficiency and greenhouse gas emission reduction is subject to rapid and unpredictable technological change. The long-range fiscal implications are unknown.

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# Fiscal Estimate Narratives DOR 1/22/2010

LRB Number 09-4076/1 Introduction Number AB-0649 Estimate Type Original	nal	Origina	nate Type	Estimate	AB-0649	Introduction Number	09-4076/1	LRB Number
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### Description

Goals for reductions in greenhouse gas emissions, for construction of zero net energy buildings and for energy conservation; information, analyses, reports, education, and training concerning greenhouse gas emissions and climate change; energy efficiency and renewable resource programs; renewable energy requirements of electric utilities and retail cooperatives; requiring electric utilities to purchase renewable energy from certain renewable facilities in their service territories; authority of the Public Service Commission over nuclear power plants; motor vehicle emission limitations; a low carbon standard for transportation fuels; the brownfield site assessment grant program, the main street program, the brownfields grant program, the forward innovation fund, grants to local governments for planning activities, the transportation facilities economic assistance and development program, a model parking ordinance; surface transportation planning by the Department of Transportation and metropolitan planning organizations to reduce greenhouse gas emissions; environmental evaluations for transportation projects; idling limits for certain vehicles; energy conservation codes for public buildings, places of employment, oneand two-family dwellings, and agricultural facilities; design standards for state buildings; energy efficiency standards for certain consumer audio and video devices, boiler inspection requirements; greenhouse gas emissions and energy use by certain state agencies and state assistance to school districts in achieving energy efficiencies; creating an exception to local levy limits for amounts spent on energy efficiency measures; creating an energy crop reserve program; identification of private forest land, promoting sequestration of carbon in forests, qualifying practices and cost-share requirements under the forest grant program established by the Department of Natural Resources; air pollution permits for certain stationary sources reducing greenhouse gas emissions; allocating a portion of existing tax-exempt industrial development revenue bonding to clean energy manufacturing facilities and renewable power generating facilities; requiring a report on certain programs to limit greenhouse gas emissions; granting rule-making authority; requiring the exercise of rule-making authority; and providing a penalty

### Assumptions Used in Arriving at Fiscal Estimate

The bill affects the following areas of concern to the Department of Revenue (DOR): The utility gross revenues tax, local property taxes, utility shared revenues, sales and use taxes, and local levy limits.

### **UTILITY GROSS REVENUES TAX**

Under current law, a "utility company" is subject to a state tax on its gross revenues allocated to Wisconsin at the following rates: 0.97% on gas revenues, 1.59% on wholesale electric revenues, and 3.19% on all other revenue. A "utility company" that is required to pay this tax is exempt from property taxes. A "utility company" includes (a) an investor-owned electric and gas company that serves retail customers in two or more municipalities, (b) a retail or wholesale electric cooperative, (c) a municipal-owned electric company (except that revenue from within the municipality that owns the utility is exempt from the tax), and (d) a "qualified wholesale electric company (QWEC).

Under current law, a QWEC is defined as either (a) an entity that owns or operates facilities for the generation and sale of electricity to a public utility or other entity that sells electricity directly to the public, provided that it sells 95% or more of the electricity it produces and it has a generating capacity of at least 50 megawatts (MW), or (b) a wholesale merchant plant that has a total generating capacity of at least 50 MW.

Under the bill, the definition of a QWEC is expanded to include a third type of entity – a nonutility nuclear power plant that has a total power production capacity of at least 50 MW.

Because most nonutility nuclear power plants with a total power production capacity of at least 50 MW would, in all likelihood, qualify as a QWEC under current law, this provision of the bill is expected to have no effect on utility gross revenues tax collections.

#### LOCAL PROPERTY TAXES

Property owned by an entity subject to the state utility gross revenues tax is exempt from property taxes. As stated above, the bill expands the definition of QWEC to include a third type of entity -- a nonutility nuclear

power plant that has a total power production capacity of at least 50 MW. Because most nonutility nuclear power plants with a total power production capacity of at least 50 MW would, in all likelihood, qualify as a QWEC under current law, this provision of the bill is expected to have no effect on property taxes.

#### UTILITY SHARED REVENUES

Under current law, one of the components of the utility shared revenues program is a payment to municipalities and counties which have electric generation facilities that began operation or were rebuilt or "repowered" after December 31, 2003 and which have a generating capacity of at least 1 MW. The payment is \$2,000 per MW of name-plate generating capacity. For property in a town, the town is paid one-third (\$666.67) and the county is paid two-thirds (\$1,333.33). For property in a village or city, the village or city is paid two-thirds (\$1,333,33) and the county is paid one-third (\$666.67). The payment applies to power plants used by investor-owned or cooperative-owned utilities, municipal utilities (but only for plants outside the municipality that owns the utility), municipal electric association projects (multi-municipal entities organized to produce and produce power for their municipal members), a QWEC, and a wholesale merchant plant.

Under the bill, the list of entities for which the above payment is made is amended to include nonutility nuclear power plants. Since most of these plants would probably qualify as a QWEC under current law, the bill is expected to have no effect on utility shared revenues payments.

#### SALES AND USE TAX

Under current law, the sale of "biomass" used for fuel and sold for residential use is exempt from the state and local sales and use tax. "Biomass" is defined as a resource that derives energy from wood or plant material or residue, biological waste, crops grown for use as a resource, landfill gases, and refuse-derived fuel used for a renewable facility that was in operation before January 1, 1998.

Under the bill, the definition of "biomass" would be changed. Under the new definition, "biomass" includes plant material or residue, biological waste, and landfill gases.

By narrowing the definition of what constitutes "biomass", the bill has the potential to reduce the amount of sales that are exempt from the state and local sales and use tax. The resultant increase in tax collections is expected to be minimal.

#### LOCAL LEVY LIMIT

Under current law, for property taxes levied in 2009 and 2010, a municipality or county may not increase its property tax levy by more than its "valuation factor". The "valuation factor" generally equals the greater of either 3.00% or the percentage change in the entity's equalized value due to net new construction between the previous year and the current year.

The following adjustments to the prior year tax levy are allowed when determining the levy limit in the current year: (a) increased debt service from the prior year for debt authorized prior to July 1, 2005, (b) debt service for general obligation debt issued after July 1, 2005, (c) levy increases approved by voters at a referendum, (d) unreimbursed expenses related to an emergency declared by the Governor, (e) certain increases in charges from joint fire departments, (f) lease payments for lease revenue bonds issued before July 1, 2005, (g) shortfalls in funds for debt service on certain revenue bonds, and (f) changes in costs due to the consolidation of a service at the county level, intergovernmental cooperation agreements, transfers of service from or to another governmental entity, and the annexation or detachment of territory.

Under the bill, the amount levied in any year by a municipality or county to pay for energy efficiency measures and renewable energy products that result in the avoidance of energy costs or the reduction of energy costs would be exempt from the levy limit. The Department of Administration would be responsible to promulgate rules regarding the definition of energy efficiency, renewable energy, and energy costs to facilitate the implementation of this levy limit exemption.

The amount currently expended by municipalities and counties on energy efficiency measures and renewable energy products is unknown. Under the bill, expenditures on these activities would be encouraged and, to an extent, possibly mandated. Assuming that the levy limits are extended beyond 2010, levy limits, and thus, allowable municipal and county property taxes, will be higher under this provision of the bill than under current law by an unknown amount.

Long-Range Fiscal Implications

	Original	$\boxtimes$	Updated	Cor	rrected	Suppl	emental
LRB	Number	09-4076/1		Introduc	tion Number	AB-064	19
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2/12/2010

# Fiscal Estimate Narratives DOR 2/12/2010

LRB Number	09-4076/1	Introduction Number	AB-0649	Estimate Type	Updated
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### Description

Goals for reductions in greenhouse gas emissions, for construction of zero net energy buildings and for energy conservation; information, analyses, reports, education, and training concerning greenhouse gas emissions and climate change; energy efficiency and renewable resource programs; renewable energy requirements of electric utilities and retail cooperatives; requiring electric utilities to purchase renewable energy from certain renewable facilities in their service territories; authority of the Public Service Commission over nuclear power plants; motor vehicle emission limitations; a low carbon standard for transportation fuels; the brownfield site assessment grant program, the main street program, the brownfields grant program, the forward innovation fund, grants to local governments for planning activities, the transportation facilities economic assistance and development program, a model parking ordinance; surface transportation planning by the Department of Transportation and metropolitan planning organizations to reduce greenhouse gas emissions; environmental evaluations for transportation projects; idling limits for certain vehicles; energy conservation codes for public buildings, places of employment, oneand two-family dwellings, and agricultural facilities; design standards for state buildings; energy efficiency standards for certain consumer audio and video devices, boiler inspection requirements; greenhouse gas emissions and energy use by certain state agencies and state assistance to school districts in achieving energy efficiencies; creating an exception to local levy limits for amounts spent on energy efficiency measures; creating an energy crop reserve program; identification of private forest land, promoting sequestration of carbon in forests, qualifying practices and cost-share requirements under the forest grant program established by the Department of Natural Resources; air pollution permits for certain stationary sources reducing greenhouse gas emissions; allocating a portion of existing tax-exempt industrial development revenue bonding to clean energy manufacturing facilities and renewable power generating facilities; requiring a report on certain programs to limit greenhouse gas emissions; granting rule-making authority; requiring the exercise of rule-making authority; and providing a penalty

### Assumptions Used in Arriving at Fiscal Estimate

The bill affects the following areas of concern to the Department of Revenue (DOR): The utility gross revenues tax, local property taxes, utility shared revenues, sales and use taxes, local levy limits, and the individual income tax.

### **UTILITY GROSS REVENUES TAX**

Under current law, a "utility company" is subject to a state tax on its gross revenues allocated to Wisconsin at the following rates: 0.97% on gas revenues, 1.59% on wholesale electric revenues, and 3.19% on all other revenue. A "utility company" that is required to pay this tax is exempt from property taxes. A "utility company" includes (a) an investor-owned electric and gas company that serves retail customers in two or more municipalities, (b) a retail or wholesale electric cooperative, (c) a municipal-owned electric company (except that revenue from within the municipality that owns the utility is exempt from the tax), and (d) a "qualified wholesale electric company (QWEC).

Under current law, a QWEC is defined as either (a) an entity that owns or operates facilities for the generation and sale of electricity to a public utility or other entity that sells electricity directly to the public, provided that it sells 95% or more of the electricity it produces and it has a generating capacity of at least 50 megawatts (MW), or (b) a wholesale merchant plant that has a total generating capacity of at least 50 MW.

Under the bill, the definition of a QWEC is expanded to include a third type of entity – a nonutility nuclear power plant that has a total power production capacity of at least 50 MW.

Because most nonutility nuclear power plants with a total power production capacity of at least 50 MW would, in all likelihood, qualify as a QWEC under current law, this provision of the bill is expected to have no effect on utility gross revenues tax collections.

### LOCAL PROPERTY TAXES

Property owned by an entity subject to the state utility gross revenues tax is exempt from property taxes. As

stated above, the bill expands the definition of QWEC to include a third type of entity -- a nonutility nuclear power plant that has a total power production capacity of at least 50 MW. Because most nonutility nuclear power plants with a total power production capacity of at least 50 MW would, in all likelihood, qualify as a QWEC under current law, this provision of the bill is expected to have no effect on property taxes.

### **UTILITY SHARED REVENUES**

Under current law, one of the components of the utility shared revenues program is a payment to municipalities and counties which have electric generation facilities that began operation or were rebuilt or "repowered" after December 31, 2003 and which have a generating capacity of at least 1 MW. The payment is \$2,000 per MW of name-plate generating capacity. For property in a town, the town is paid one-third (\$666.67) and the county is paid two-thirds (\$1,333.33). For property in a village or city, the village or city is paid two-thirds (\$1,333,33) and the county is paid one-third (\$666.67). The payment applies to power plants used by investor-owned or cooperative-owned utilities, municipal utilities (but only for plants outside the municipality that owns the utility), municipal electric association projects (multi-municipal entities organized to produce and produce power for their municipal members), a QWEC, and a wholesale merchant plant.

Under the bill, the list of entities for which the above payment is made is amended to include nonutility nuclear power plants. Since most of these plants would probably qualify as a QWEC under current law, the bill is expected to have no effect on utility shared revenues payments.

#### SALES AND USE TAX

Under current law, the sale of "biomass" used for fuel and sold for residential use is exempt from the state and local sales and use tax. "Biomass" is defined as a resource that derives energy from wood or plant material or residue, biological waste, crops grown for use as a resource, landfill gases, and refuse-derived fuel used for a renewable facility that was in operation before January 1, 1998.

Under the bill, the definition of "biomass" would be changed. Under the new definition, "biomass" includes plant material or residue, biological waste, and landfill gases.

By narrowing the definition of what constitutes "biomass", the bill has the potential to reduce the amount of sales that are exempt from the state and local sales and use tax. The resultant increase in tax collections is expected to be minimal.

### LOCAL LEVY LIMIT

Under current law, for property taxes levied in 2009 and 2010, a municipality or county may not increase its property tax levy by more than its "valuation factor". The "valuation factor" generally equals the greater of either 3.00% or the percentage change in the entity's equalized value due to net new construction between the previous year and the current year.

The following adjustments to the prior year tax levy are allowed when determining the levy limit in the current year: (a) increased debt service from the prior year for debt authorized prior to July 1, 2005, (b) debt service for general obligation debt issued after July 1, 2005, (c) levy increases approved by voters at a referendum, (d) unreimbursed expenses related to an emergency declared by the Governor, (e) certain increases in charges from joint fire departments, (f) lease payments for lease revenue bonds issued before July 1, 2005, (g) shortfalls in funds for debt service on certain revenue bonds, and (f) changes in costs due to the consolidation of a service at the county level, intergovernmental cooperation agreements, transfers of service from or to another governmental entity, and the annexation or detachment of territory.

Under the bill, the amount levied in any year by a municipality or county to pay for energy efficiency measures and renewable energy products that result in the avoidance of energy costs or the reduction of energy costs would be exempt from the levy limit. The Department of Administration would be responsible to promulgate rules regarding the definition of energy efficiency, renewable energy, and energy costs to facilitate the implementation of this levy limit exemption.

The amount currently expended by municipalities and counties on energy efficiency measures and renewable energy products is unknown. Under the bill, expenditures on these activities would be encouraged and, to an extent, possibly mandated. Assuming that the levy limits are extended beyond 2010, levy limits, and thus, allowable municipal and county property taxes, will be higher under this provision of the bill than under current law by an unknown amount.

Based on the findings of the Office of Energy Independence (OEI), this bill is expected to create 1,800 new jobs in Wisconsin within the first year of enactment. The average annual wage of these jobs, as indicated by the OEI findings, is expected to be \$39,200. Assuming the wages of these new jobs are taxed at Wisconsin's TY08 average effective individual income tax rate of 4.43%, the increase in individual income tax collections on the annualized wages of these initial 1,800 new jobs is expected to be \$3.1 million (1,800  $\times$  \$39,200  $\times$  4.43%).

## **Long-Range Fiscal Implications**

Based on the long-range findings of the Office of Energy Independence, this bill is expected to create 15,227 net new jobs in Wisconsin by 2025. Assuming the expected average annual wage of these new jobs remains at \$39,200, and based on Wisconsin's average effective individual income tax rate of 4.43% in TY08, the bill is expected to increase state individual income tax collections by \$26.4 million by 2025 (15,227 x \$39,200 x 4.43%).

# Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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# Fiscal Estimate Narratives PSC 2/18/2010

LRB Number	09-4076/1	Introduction Number	AB-0649	Estimate Type	Original

## Description

Goals for reductions in greenhouse gas emissions, for construction of zero net energy buildings and for energy conservation; information, analyses, reports, education, and training concerning greenhouse gas emissions and climate change; energy efficiency and renewable resource programs; renewable energy requirements of electric utilities and retail cooperatives; requiring electric utilities to purchase renewable energy from certain renewable facilities in their service territories; authority of the Public Service Commission over nuclear power plants; motor vehicle emission limitations; a low carbon standard for transportation fuels; the brownfield site assessment grant program, the main street program, the brownfields grant program, the forward innovation fund, grants to local governments for planning activities, the transportation facilities economic assistance and development program, a model parking ordinance; surface transportation planning by the Department of Transportation and metropolitan planning organizations to reduce greenhouse gas emissions; environmental evaluations for transportation projects; idling limits for certain vehicles; energy conservation codes for public buildings, places of employment, oneand two-family dwellings, and agricultural facilities; design standards for state buildings; energy efficiency standards for certain consumer audio and video devices, boiler inspection requirements; greenhouse gas emissions and energy use by certain state agencies and state assistance to school districts in achieving energy efficiencies; creating an exception to local levy limits for amounts spent on energy efficiency measures; creating an energy crop reserve program; identification of private forest land, promoting sequestration of carbon in forests, qualifying practices and cost-share requirements under the forest grant program established by the Department of Natural Resources; air pollution permits for certain stationary sources reducing greenhouse gas emissions; allocating a portion of existing tax-exempt industrial development revenue bonding to clean energy manufacturing facilities and renewable power generating facilities; requiring a report on certain programs to limit greenhouse gas emissions; granting rule-making authority; requiring the exercise of rule-making authority; and providing a penalty

### Assumptions Used in Arriving at Fiscal Estimate

### Overview

The changes in the bill are largely changes in existing regulatory requirements, rather than new programs and regulations. Since the PSC already oversees statewide energy efficiency programs and ensures compliance with a renewable portfolio standard, the changes to those existing programs and regulations do not necessarily increase PSC workload. The bill's modification to how nuclear power plants are approved should not have any effect on PSC resources, as the PSC already is responsible for power plant construction approvals. The following includes a more detailed description of the bill's provisions that affect the PSC.

## Energy Efficiency and Renewable Resource Programs

The bill would modify an existing mandatory energy efficiency and renewable resource program for retail electric cooperatives and electric utilities. The bill would require PSC to use quadrennial potential studies, which are already required under current law, as the basis for establishing program goals and funding obligations. The bill would also modify the mandatory program to encompass prime suppliers of liquid petroleum gas (LP gas) and heating oil, so that users of those fuels could take advantage of the statewide energy efficiency programs.

The bill would also allow utilities and large energy customers to self-administer their own energy efficiency and renewable resource programs instead of contributing money to the statewide program. These self-administered programs would require PSC approval. Current law already provides for utility-administered energy efficiency programs, and PSC already undertakes review of these types of utility programs.

Finally, the bill would require PSC to study the rules for programs self-administered by large energy customers to determine whether they provide adequate opportunities, and within six months to report to the legislature and the governor the findings and any actions to correct deficiencies.

### Renewable Portfolio Standard (RPS)

The bill would modify current statutory requirements that specify minimum amounts of electricity that retail electric providers must generate from renewable resources. Under current law, retail electric providers (i.e.

utilities and cooperatives) must collectively generate 10% of the electricity they sell to customers each year from renewable resources, beginning in 2015. The bill would accelerate this 10% goal to 2013, and add new goals: 20% beginning in 2020 and 25% beginning in 2025. The bill would further specify an in-state generation requirement of 6% beginning in 2020 and 10% beginning in 2025. PSC would be required to submit reports to the legislature and the governor within five months after the end of each milestone year (2013, 2020 and 2025), and biennially thereafter, stating whether the goals had been met and if not, why the goal was not achieved and how it may be achieved.

The bill would also create a new compliance option whereby non-electric renewable energy could be used in lieu of renewable electricity for RPS compliance. PSC would be required to develop rules governing the issuance of certificates for non-electric energy that would specify the equivalent amount of electricity that the non-electric energy displaced. PSC would be required to submit draft rules to legislative council staff within five months of the effective date of the legislation.

Because the bill would create new in-state RPS requirements and new non-electric energy certificates, PSC likely would have to incorporate those changes into the current system for tracking renewable resource credits. Current law already allows for the incorporation of additional renewable resources, which if approved by administrative action, would also require alignment with the current credit tracking system.

Finally, the bill would require PSC to study options for streamlining approval of renewable energy projects and otherwise ensuring that electric providers can comply with the RPS, and submit a report to the legislature and the governor within six months after the effective date.

#### Renewable Tariffs

The bill would direct PSC to order each investor-owned electric utility and municipal electric utility in Wisconsin to offer tariffs for the purchase of renewable energy generated by their customers. PSC recently completed an Advanced Renewable Tariff investigation, and much of the work that went into developing that docket will be useful in implementing new tariffs, if these provisions become law. Tariff approval is a regular component of existing PSC workload.

#### **Nuclear Power Plants**

The bill would modify the construction approval criteria and approval processes that apply to new nuclear power plants. PSC assumes that even if enacted, the bill would not cause applications for new nuclear power plants to be filed in the near future, given Wisconsin's current excess generation capacity.

## Other Provisions

The bill would require PSC to provide the Department of Natural Resources with periodic assessments of progress toward meeting the nonbinding statewide energy conservation goals. The first such assessment would be due no later than July 1, 2013, with subsequent assessments due at least once every four years thereafter. The bill would require the PSC Chairperson or his or her designee to participate in a Climate Change Coordinating Council.

## **Long-Range Fiscal Implications**

Indeterminate

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LRB	Number	09-4076/1		Introduction	n Number	AB-064	9
Description Goals for reductions in greenhouse gas emissions, for construction of zero net energy buildings and for energy conservation; information, analyses, reports, education, and training concerning greenhouse gas emissions and climate change; energy efficiency and renewable resource programs; renewable energy requirements of electric utilities and retail cooperatives; requiring electric utilities to purchase renewable energy from certain renewable facilities in their service territories; authority of the Public Service Commission over nuclear power plants; motor vehicle emission limitations; a low carbon standard for transportation fuels; the brownfield site assessment grant program, the main street program, the brownfields grant program, the forward innovation fund, grants to local governments for planning activities, the transportation facilities economic assistance and development program, a model parking ordinance; surface transportation planning by the Department of Transportation and metropolitan planning organizations to reduce greenhouse gas emissions; environmental evaluations for transportation projects; idling limits for certain vehicles; energy conservation codes for public buildings, places of employment, one-and two-family dwellings, and agricultural facilities; design standards for state buildings; energy efficiency standards for certain consumer audio and video devices, boiler inspection requirements; greenhouse gas emissions and energy use by certain state agencies and state assistance to school districts in achieving energy efficiencies; creating an exception to local levy limits for amounts spent on energy efficiency measures; creating an energy crop reserve program; identification of private forest land, promoting sequestration of carbon in forests, qualifying practices and cost-share requirements under the forest grant program established by the Department of Natural Resources; air pollution permits for certain stationary sources reducing greenhouse gas emissions; allocating a portion							
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# Fiscal Estimate Narratives UWS 2/26/2010

	LRB Number	09-4076/1	Introduction Number	AB-0649	Estimate Type	Original
- 1						

### Description

Goals for reductions in greenhouse gas emissions, for construction of zero net energy buildings and for energy conservation; information, analyses, reports, education, and training concerning greenhouse gas emissions and climate change; energy efficiency and renewable resource programs; renewable energy requirements of electric utilities and retail cooperatives; requiring electric utilities to purchase renewable energy from certain renewable facilities in their service territories; authority of the Public Service Commission over nuclear power plants; motor vehicle emission limitations; a low carbon standard for transportation fuels; the brownfield site assessment grant program, the main street program, the brownfields grant program, the forward innovation fund, grants to local governments for planning activities, the transportation facilities economic assistance and development program, a model parking ordinance; surface transportation planning by the Department of Transportation and metropolitan planning organizations to reduce greenhouse gas emissions; environmental evaluations for transportation projects; idling limits for certain vehicles; energy conservation codes for public buildings, places of employment, oneand two-family dwellings, and agricultural facilities; design standards for state buildings; energy efficiency standards for certain consumer audio and video devices, boiler inspection requirements; greenhouse gas emissions and energy use by certain state agencies and state assistance to school districts in achieving energy efficiencies; creating an exception to local levy limits for amounts spent on energy efficiency measures; creating an energy crop reserve program; identification of private forest land, promoting sequestration of carbon in forests, qualifying practices and cost-share requirements under the forest grant program established by the Department of Natural Resources; air pollution permits for certain stationary sources reducing greenhouse gas emissions; allocating a portion of existing tax-exempt industrial development revenue bonding to clean energy manufacturing facilities and renewable power generating facilities; requiring a report on certain programs to limit greenhouse gas emissions; granting rule-making authority; requiring the exercise of rule-making authority; and providing a penalty

### **Assumptions Used in Arriving at Fiscal Estimate**

Assembly Bill(AB 649) relates to reducing greenhouse gas emissions, increasing energy efficiency and the use of renewable resources to produce energy. The bill contains several provisions that will impact the UW-System.

Reduce Overall Energy Use by 2030

The average annual increase in UW-System energy use from FY73-FY09 was calculated to escalate energy use to 2030. Based on current technology and gross square footage, the estimated cost over the next 20 years to achieve this goal is \$499 million dollars (24.95 million per year).

Greenhouse Gas Emission Reductions

To achieve these goals, existing boilers at UW-System campuses would need to be replaced as part of heatin plant projects. Completing one energy plant project per biennium is estimated to cost \$10.5 million, or \$5.25 million per year.

**Boiler Inspection Requirements** 

Annual inspections of 38 solid fired boilers and 92 gas fired burners would cost the UW-System \$187,000 per year.

Model Parking Ordinance

One time funding of \$130,000 GPR and 1.5 FTE: \$35,000 (\$17,000 Sal. \$6,000 FB., \$8,000 tuition remission, \$4,000 S&E) of the total funding would be used to hire a half-time project assistant to conduct research, coordinate with the advisory committee and develop the ordinance. \$95,000 (\$65,000 Sal.,\$25,000 FB., \$5,000 S&E) would fund one full time position to conduct education and training (i.e. educate public and private entities about how to measure and achieve significant reductions in emissions of greenhouse gases and energy use through sustainable land use, green building, energy efficiency,

renewable energy and transportation approaches).

**Long-Range Fiscal Implications** 

# Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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					\$30,387,000	<u></u>	\$
_	State Costs by S	Source of Fu	inds		20 207 222	F	
-	FED				30,387,000		
- 11	LU					Ī	

PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this onl revenues (e.g., tax increase, decrease		decrease state
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		·
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET AN	NUALIZED FISCAL IMPACT	
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$30,387,000	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By	Authorized Signature	Date
UWS/ Paige Rusch (608) 263-3307	Freda Harris (608) 262-2734	2/26/2010

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